

# CHAPTER 1

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## Indonesia's Security Outlook and Defence Policy 2012

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### **Introduction**

Over the last few years, Indonesia's security environment has been generally benign. In fact, for several years, Indonesia has experienced a degree of normalcy, both in economic and political-security terms. Despite the continuing concerns over internal stability, non-traditional security problems and external challenges, there were no pressing internal threats that could undermine internal order and roll back the democratisation process. Externally, Indonesia was also confident that cooperative multilateral processes led by the Association of Southeast Asian Nations (ASEAN) would provide a degree of assurance about regional stability and external security. In other words, Indonesia has enjoyed a relatively benign security environment.

As Indonesia enters 2012, however, it has become evident that the country's security environment would be characterised by growing internal security problems and more complex external security challenges. Internally, in 2011 Indonesia has been preoccupied by four main security problems, namely the threats of terrorism, the secessionist problem in Papua, the growing problems of religiously-motivated violence, and rising social protests by deprived members of the community. These problems would even assume greater significance in 2012. Externally, while it continues to place high importance on an array of non-traditional security problems, traditional security concerns—especially the problems of territorial disputes with neighbouring countries, the situation in the South China Sea, and the growing signs of strategic rivalry between the United States (US) and China—have become more volatile. Overall, while previously Indonesia's national security concerns have primarily been internal in nature, developments in 2011 suggested that Indonesia would also have to pay closer attention to the rapidly evolving security challenges in its external strategic environment.

Despite the changing character of Indonesia's security environment and challenges, developments in Indonesia's defence sector are still characterised by modest efforts

by Indonesia's Defence Force (TNI) to improve its capability within the context of serious budgetary constraints. The focus of Indonesia's defence development programmes in the years to come is still aimed at achieving the minimum defence requirements. This plan is based on the defence capability plan for 2005-2019 aimed at achieving "a minimum essential force," namely "a force level that can guarantee the attainment of immediate strategic defence interests, with the procurement priority given to the improvement of minimum defence strength and/or the replacement of outdated main weapon systems/equipment."<sup>1</sup> Within that limited national defence capability, international cooperation—both in terms of bilateral and regional cooperation—serves as an important complementary strategy for Indonesia in fulfilling its national security interests. For Indonesia, national security should be achieved first and foremost by making diplomacy the first line of defence, without ignoring the need to gradually improve its national defence capability.

## **Indonesia's Security Challenges**

### ***Internal Challenges***

*The Problem of Terrorism.* Since 2010, Indonesia has fortunately not experienced any major terrorist attack. In fact, Indonesia scored a degree of success in counter-terrorism, with almost 600 terrorists arrested. Various counter-terrorism operations conducted by the Indonesian National Police (INP) have also led to a number of fresh arrests of those involved in a string of attacks during the period of 2002-2005. In 2011 alone, the INP arrested at least 108 and killed 7 suspected terrorists. It also sentenced to 15 years Abu Bakar Bashir, the leader of radical Islamic group Jemaah Ansharut Tauhid (JAT), for inciting terrorism and funding radical Islamic groups. It was also in 2011 that Indonesia managed to extradite one of the most-wanted terror suspects, Umar Patek, to Indonesia for his involvement in the 2002 Bali Bombing, after being captured in Pakistan in late March.<sup>2</sup> Indeed, the INP has so far performed relatively well in undermining and disrupting terrorist networks across the country, and managed to reduce the capacity of terrorist groups to launch major attacks.

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<sup>1</sup> *Peraturan Presiden Republik Indonesia No. 7 Tahun 2008 Tentang Kebijakan Umum Pertahanan Negara* (Presidential Regulations No. 7/2008 on General Policy Guidelines on State Defence Policy), 2008.

<sup>2</sup> "Terror in 2011: Major Attacks, Players and Locations," *The Jakarta Globe*, 26 December 2011.

Despite the success scored by Indonesia's security forces in disrupting the terrorist networks, terrorism continues to pose serious security challenges to Indonesia. A new challenge facing Indonesia's counter-terrorism efforts in this regard is the emergence of new type of terrorism. One new characteristic of this new terrorism has been well demonstrated by a string of attacks by individuals or small groups. The target of the attacks appeared to have shifted to local "infidels" instead of Westerners. In March, for example, a number of well-known individuals became the target of mysterious book packages containing explosives. In April, an individual named Muhammad Syarif blew himself up in a mosque at the Cirebon Police headquarters in West Java, killing himself only and injuring 30 others. In the same month, the INP also prevented a planned attack against a Church in Tangerang and arrested Pepi Fernando, who is also believed to have sent the book bombs. Investigations by the INP reveal that these individuals very likely acted on their own. In other words, Indonesia is now facing a new phenomenon called "individual jihad."<sup>3</sup>

*The Papua Question.* Indonesia's security concerns during 2011 were also characterised by the unresolved problem in Papua. One element of the problem has been the low-level armed secessionist movement of Organisasi Papua Merdeka (Free Papua Organisation-OPM) that demands Papua's independence from Indonesia. However, counter-insurgency operations conducted by Indonesian security forces—which at times resort to harsh measures and torture—have also contributed to the growing anger among the Papuan population. The general security situation in Papua, for example, was still marred by acts of violent attacks on the people working for foreign mining and logging operations. A long strike by workers of the gold mining company Freeport created weeks of tension in the Province. Jakarta is increasingly faced with a serious discontent in the area. Unless a comprehensive negotiated political settlement is reached, the Papua question will continue to pose an internal security problem for Indonesia.

*Religious and Political Violence.* In addition to the threat of terrorism and the protracted problem in Papua, Indonesia's internal security situation in 2011 was further aggravated by the growing incidents of violence motivated either by religious or political factors. Even though Indonesia essentially remains a "secular" state, its

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<sup>3</sup> "‘Individual Jihad’ Becomes New face of Terror in 2011," *The Jakarta Globe*, 26 December 2011.

national identity as a pluralistic and tolerant country is being tested by growing incidents of intolerance. Cases of religious-motivated disputes have increased in 2011. The Wahid Institute, for example, recorded at least 276 incidents of religious violence and intolerance; a significant increase from 198 cases in 2010.<sup>4</sup> The most noted problems have been the oppositions against the construction of churches by local communities and violent attacks against religious minority groups, especially the followers of Ahmadiyah religious sect. Rights groups, including the National Commission on Human Rights (Komnas HAM), have expressed their concerns about “the absence” of the state when minority groups were being persecuted.<sup>5</sup> These problems, if not addressed by Yudhoyono’s government, could indeed undermine Indonesia’s identity as a tolerant country which, in turn, causes social instability.

*Social Protests and Human Rights Violations.* The year 2011 also witnessed growing public dissatisfaction leading to clashes between the security apparatus and members of the community in several regions in Indonesia. Social protests and conflicts at community level have begun to undermine Indonesia’s internal stability. These social conflicts were often driven by land disputes caused by the lack of clarity regarding the permits awarded to mining and plantation companies. This is, among others, caused by the overlapping authority between the central and local government.<sup>6</sup> And, the manner by which the Indonesian Police handled the challenge began to raise some questions regarding not only the ability of the government to resolve the problems, but also its commitment to human rights and security sector reform (SSR). In the case of Papua, except the continuing reliance on security operation by the Police, it seems that the government is at a loss in finding an acceptable solution to the growing demand for self-determination in the province. In dealing with mass protests over land disputes, especially between the local community and mining or plantation companies, the Police have even come under criticism due to its excessive use of force.

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<sup>4</sup> Ulma Haryanto, “Indonesia’s Religious Tolerance Wanes While Dogmatic Bylaws Gain Ground: Institute,” *The Jakarta Globe*, at <http://www.thejakartaglobe.com/home/indonesia-religious-tolerance-wanes-while-dogmatic-bylaws-gain-ground-institute/487933>.

<sup>5</sup> Bagus BT Saragih, “Papua abuse, rising intolerance mar RI rights record,” *The Jakarta Post*, 10 December 2011.

<sup>6</sup> “Mining, Plantation Disputes to Intensify,” *The Jakarta Post*, 29 December 2011.

### ***Non-Traditional Security Concerns***

*People Smuggling.* A problem that preoccupies Indonesia's concern on non-traditional security areas has been the problem of people smuggling and illegal migration. Thousands of asylum seekers and illegal migrants—mostly victims of people smuggling from Sri Lanka, Afghanistan, and Iraq—were passing Indonesian waters *en route* to Australia. In early December 2011, a boat carrying 250 illegal immigrants from Afghanistan, Turkey, Iran, and Saudi Arabia sank in waters off Prigi, East Java, when it was heading to Christmas Island, Australia.<sup>7</sup>

*Maritime Security.* Despite some improvements in managing maritime security, Indonesia continues to regard this issue as a major security problem for the country. The threat of piracy, for example, continues to pose a serious challenge to Indonesia's maritime security. During 2011, attacks on ships have increased in Indonesian waters. Within January to September 2011, there have been 41 incidents in the Malacca Straits.<sup>8</sup> The problem of illegal fishing also constitutes a non-traditional security problem as it becomes a major source of tension not only among communities but also between states, such as between Indonesia and its neighbouring countries such as Australia, Thailand, Vietnam, Malaysia, and China. From January to April 2011, for example, maritime authorities in Medan, North Sumatera, have arrested five Malaysian fishing boats and six Vietnamese vessels for illegal fishing.<sup>9</sup> During the first half of 2011, Indonesia's naval patrol boats have also arrested at least 22 Philippines vessels in the South Sulawesi area.<sup>10</sup> These problems of illegal fishing in Indonesia's waters have led Vice President Boediono to call for Indonesia's Navy and the Police to step up sea security.<sup>11</sup>

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<sup>7</sup> Nani Farida, "People Smuggling May Soar," *The Jakarta Post*, 27 December 2011, at <http://www.thejakartapost.com/news/2011/12/27/people-smuggling-may-soar.html>.

<sup>8</sup> Maritime Security Office, "Indonesia Pirate Attacks Thwarted off Malaysia," 21 September 2011, at <http://www.maritimesecurityoffice.com/index.aspx?NewsID=1454>.

<sup>9</sup> "Three Malaysian Fishing Boats Nabbed in Riau Province Waters," *Antara News*, 25 April 2011, at <http://www.antaranews.com/en/news/70625/three-malaysian-fishing-boats-nabbed-in-riau-province-waters>.

<sup>10</sup> "Indonesian Naval Ships Arrest 22 Philippine Fishing Boats," *Antara News*, 24 June 2011, at <http://www.antaranews.com/en/news/73074/indonesian-naval-ships-arrest-22-philippine-fishing-boats>.

<sup>11</sup> "VP Calls for Better Security Against Illegal Fishing," *Antara News*, 13 October 2011, at <http://www.antaranews.com/en/news/76541/vp-calls-for-better-security-against-illegal-fishing>.

***External Environment: Stability in East Asia***

*Territorial and Border Disputes.* Indonesia continues to pay attention to specific external security problems posed by neighbouring countries over the security of Indonesia's borders. Indonesian leaders, politicians and even the military often complain about the vulnerability of the country's borders. In this regard, the border issue between Indonesia and Malaysia has often been the most sensitive one. Bilateral tension over this issue, for example, occurred in October 2011, when Indonesian parliamentarians claimed that Indonesia had lost 1,490 hectares in Camar Bulan, Kalimantan, to Malaysia and that the country's boundary in Tanjung Datu waters had moved 800 meters in favour of Kuala Lumpur. However, the Indonesian government rejected the claims and denied that the country had lost parts of its territory to the neighbouring country. Indonesia also faces the same challenge regarding its air space. In July 2011, for example, the Indonesian military protested to the US government after a U.S. transport aircraft entered Indonesia's territory without proper permission.<sup>12</sup> The magnitude of the problem is also reflected in the fact that the Indonesian military can only safeguard 12 of its 92 outermost islands across the country.<sup>13</sup>

In general, however, there were few cases of border violations between Indonesia and Malaysia during 2011.<sup>14</sup> In fact, talks to settle the issue are ongoing. In October 2011, Indonesia and Malaysia held border talks in Kuala Lumpur in order to agree on a mechanism to deal with the problem so that when an accident occurs it would not escalate into tension.<sup>15</sup> Indeed, Indonesia has intensified its efforts to address this problem through diplomatic means. In 2011, Indonesia held several meetings with its neighbours to settle unresolved border problems with Malaysia, Vietnam, and Timor Leste.

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<sup>12</sup> "Indonesia Protests U.S. Over Aircraft's Violation of Its Territory," *People's Daily*, 21 July 2011, at <http://english.peopledaily.com.cn/90001/90777/90851/7447102.html>.

<sup>13</sup> "Hanya 12 Pular Terluar Yang Dijaga Oleh TNI" [Only 12 Outermost Islands Are Safeguarded by the Indonesian Military], *Kompas*, 19 August 2011.

<sup>14</sup> Bagus BT Saragih and Nani Farida, "Malaysia Didn't Violate Kalimantan Border: Govt," *The Jakarta Post*, 11 October 2011, at <http://www.thejakartapost.com/news/2011/10/11/malaysia-didn%E2%80%99t-violate-kalimantan-border-govt.html>.

<sup>15</sup> "Marty-Menlu Malaysia Bahas Perbatasan" [Marty-Malaysian Foreign Minister Discuss Border Problem], *Tempo Interaktif*, 11 October 2011, at <http://www.tempo.co/read/news/2011/10/11/078360934/Marty-Menlu-Malaysia-Bahas-Perbatasan>.

*Growing Sino-US Rivalry.* The implications of changing regional power structures in East Asia, especially for major power relations and stability in the region, continue to be an issue that raises regional concerns, including in Indonesia. In this regard, the rise of China constitutes the most salient aspects of the undergoing strategic change that is transforming the geo-political character of East Asia. Indonesia is aware that the power shift taking place in East Asia points to the redistribution of power among key players. The ability of the US to exercise unchallenged primacy is bound to be affected by the rise of China. Within this context, Indonesia is concerned that the future relationship among the major powers, especially between the US and China, would be characterised more by competition and rivalry than cooperation. Developments in 2011 clearly suggest that the East Asian region might be heading towards that direction.

Indeed, recent developments in Sino-US relations have become a new source of concern about the future of East Asia. The two major powers seem to be on a path towards strategic rivalry, competing for influence. The US, for example, has asserted that it would give highest priority for the Asia-Pacific and would not accept any challenge to its supremacy in the region. The US has also begun to undertake several initiatives to deepen its alliance system and military presence in the region, especially with Australia. It has announced a plan to station 2,500 marines in Darwin, 2 littoral combat ships in Singapore, and pledged to deepen its alliance with the Philippines. China's policy towards the region has also heightened the sense that it too is seeking to expand its power projection and influence. It has become more difficult to pretend that a Sino-US strategic rivalry is unlikely. Even voices within China, as reflected in the Editorial of China's *Global Times*, believe that "in other countries in Central Asia and Southeast Asia, the contest between the two powers is far from settled."<sup>16</sup> In this regard, Indonesia is concerned about the implications of such Sino-US rivalry for not only regional stability but also for ASEAN's unity.

*China and the South China Sea.* The rise of China, and its implications for the region, continues to be a dominant theme in the region. In 2011, special concern has been expressed by regional countries regarding the growth of China's military power, especially in the context of the South China Sea dispute. In this regard, China's

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<sup>16</sup> *Global Times*, 30 November 2011.

Navy is surely on the path towards becoming a modern fleet with forward projection capability. At the end of 2011, China announced that the refitting of an aircraft carrier bought from Ukraine in 1998, to be used for training and research purposes, was approaching its final phase. While the ex-Soviet *Varyag*, named *Shilang*, would be China's first operational aircraft carrier, the production of two indigenous aircraft carriers is reportedly also underway at the Jiangnan Shipyard in Shanghai. And, last week, *Shilang* was launched in Liaoning province to undertake its first maiden sail.

*Shilang* is not yet a full-fledged aircraft carrier. Military analysts agree that the vessel is still not fully operational and needs further tests and works. As of today, the significance of the launching lies in its symbolic nature. *Shilang*, however, certainly marks the beginning of China's road toward becoming a great naval power status; a status that any great power would like to acquire. Despite immense challenges at home, it is beyond doubt that China is rapidly becoming a *daguo* (great power). As its economy continues to grow, the influence of China—which has already been felt across the globe and particularly in East Asia—can only grow further. It is also natural and logical that China's military power will also grow. Indeed, military modernisation itself has always been part of the *Si Xiandaihua* (Four Modernisations) initiated by Deng Xiaoping in December 1978. And, the rapid transformation of its naval capability over the last ten years only constitutes a part and parcel of that process.

Since the adoption of a new strategy of active defence (*jiji fangyu*) in December 1985, China has consistently developed its naval capability from a coastal defence force to become a blue water navy. While still lagging behind the United States (US), the Chinese Navy is now one of the most modern fleets in the Asia-Pacific, and the ongoing developments suggest the aim to become a force for the future, with the intent to boost its global power projection capability by 2020s. With a steady increase in its military spending, which would rise 12.7 percent to US\$ 91.7 billion in 2012, such plan is not without ground. The question for East Asia now is, should the region then fear China's naval power? The answer to this question would vary from one capital to the other. The US, for example, has long been curious about the nature of China's military growth. Tokyo has also expressed its concerns and the recently-released Defense White Paper warned that China's navy would increase its activities around its waters; an assessment criticised by Beijing as an exaggeration

of China's threat.

For Southeast Asian countries, the most important question is not what China has in its arsenal, but what it is going to do with it. There is no reason to fear China's growing military power if it will be used for the benefit of regional public goods. In this regards, China's growing naval power—including the aircraft carrier—would boost China's ability to participate in regional efforts to address non-traditional security threats such as combating piracy and conducting disaster relief operations. This is the area where many Southeast Asian countries would welcome China's greater role. The problem would arise if the growing China's naval power is to be used to challenge US military presence in the Asia-Pacific. That would surely invite US' reaction. If this is the case, a rivalry between China and the US would not benefit anyone, and Southeast Asian countries will be the first to suffer. To prevent this scenario, it is absolutely necessary for China and the US to intensify their strategic dialogue to alleviate any misperception on both sides' intentions.

It would be a disaster also if China's growing naval power is to be used to impose and assert its claim in the South China Sea. This area has also been described as a flash point in Southeast Asia and could become a source of friction between China and its neighbours. Fortunately, at the recent ASEAN meeting in Bali last month, China and ASEAN have agreed on the Guidelines on the implementation of the Declaration of Conduct of Parties in the South China Sea. However, recent developments in the area and China's policy towards the South China Sea have begun to irk regional countries. The escalation of tension in the South China Sea has begun to reach an alarming state. Diplomatic tension between China and two other claimants, Vietnam and the Philippines, have become more volatile as parties to the dispute are locked in a tit-for-tat display of military might. In mid-2011, Vietnam staged a live-fire naval exercise off its central coast, and held a joint exercise with the US. The Philippines sent its warship to emphasise its claim and announced a joint exercise with the US in June. On its part, China has also done so.

Moreover, voices coming out of China of late, and particularly China's growing assertiveness in the South China Sea, have become more and more puzzling for many regional countries. After listening to statements made by some military officers of the People's Liberation Army (PLA), and reading a series of articles and

op-eds published in the *Global Times*, a popular newspaper published by China's Communist Party mouthpiece the *People's Daily*, one would think that the South China Sea would indeed become a hot spot for conflicts. On 29 September, an Op-Ed entitled "Time to teach those around South China Sea a lesson" calls for "a punishment" to be mounted against Vietnam and the Philippines, and that China "should make good preparations for a small-scale battle while giving the other side the option of war or peace." On 25 October, an editorial even warned that "if these countries don't want to change their ways with China, they will need to prepare for the sounds of cannons. We need to be ready for that, as it may be the only way for the disputes in the sea to be resolved." These are strong words indeed.

These developments clearly serve as serious cause for concerns. Indonesia, as a non-claimant state that in the past sought to defuse the tension by organising a series of informal talks on the South China Sea, has urged the conflicting parties to refrain from escalating the tension. Another non-claimant state, Singapore, also expressed its concerns and even urged China to clarify its claim in the South China Sea. In 2010, the US for the first time maintained that it has national interests in the safety of navigation in the South China Sea and wishes to see the dispute resolved peacefully. Despite all the calls for restraint and the resolution of the dispute through peaceful means, however, it seems unrealistic to expect that the crux of the problem will go away anytime soon. Therefore, the most pressing priority now is how to create a mechanism to prevent tension. Encouragingly, ASEAN and China have not only agreed on a set of Guidelines on the implementation of the Declaration of Conduct (DoC) in the South China Sea, but also agreed to start working on a more legally-binding Code of Conduct (CoC) in 2012. As Indonesia's Foreign Minister Marty Natalegawa has pointed out, "progress on the discussions on the Code of Conduct on the South China Sea....will be of great interest to Indonesia in 2012."<sup>17</sup>

## **Developments in Defence Sector: Improvement Continues**

Despite the continuing financial and budgetary constraints, Indonesia has continued to revamp and improve its defence sector. Within that context, the main priority of

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<sup>17</sup> "Myanmar Democratization, South China Sea Among RI's Interests in 2012," *Antara News*, 4 January 2012, at <http://www.antaraneews.com>.

Indonesia's defence development programs is still to achieve the goal of fulfilling "a minimum essential force," namely "a force level that can guarantee the attainment of immediate strategic defence interests, with the procurement priority given to the improvement of minimum defence strength and/or the replacement of outdated main weapon systems/equipment."<sup>18</sup> And, the Defence Strategic Plan 2010-2014 remains the basis for defence development, during which Indonesia needs around Rp. 279.8 trillion (USD 31 billion) to fulfil its defence needs, most of which—according to Minister of Defence Purnomo Yusgiantoro—would be allocated to pursue the development of minimum essential force (MEF), revitalisation of national defence industry, prevention of maritime crimes and defence modernisation.<sup>19</sup>

The Strategic Plan started in 2010 with the allocation of Rp. 42.9 trillion for the 2010 defence budget and Rp. 47.5 trillion for 2011, which constitutes an increase of 10.72 or 3.86 percent of the 2011 national budget.<sup>20</sup> For 2012, Indonesia's defence budget received a significant increase when President Susilo Bambang Yudhoyono announced in October 2011 that it will increase by more than 35 percent to Rp. 64.4 trillion (US\$ 7.2 billion). This is a significant increase that would allow the Indonesian Defence Force (Tentara Nasional Indonesia-TNI) to improve its deterrence by continuing the modernisation efforts, especially to improve the quality of maintenance and the readiness of weaponry systems.<sup>21</sup> Despite the significant increase, however, the allocated budget is still lower than the requested budget of Rp. 72.5 trillion [US\$ 8.2 billion]. The Indonesian government, however, has also allocated about Rp. 99 trillion [US\$ 11.2 billion] for the maintenance and procurement of primary defence equipment until 2014. Back in 2010, Minister of Defence Purnomo Yusgiantoro even aimed at reaching the target of national defence

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<sup>18</sup> *Peraturan Presiden Republik Indonesia No. 7 Tahun 2008 Tentang Kebijakan Umum Pertahanan Negara* (Presidential Regulations No. 7/2008 on General Policy Guidelines on State Defence Policy), 2008.

<sup>19</sup> "Anggaran Pertahanan 2011 Naik 10.72 Persen," *Media Indonesia*, 30 December 2011, at <http://www.mediaindonesia.com/read/2010/12/30/191881/17/1/Anggaran-Pertahanan-2011-Naik-1072-Persen>.

<sup>20</sup> "TNI Kembalikan Sisa Anggaran Rp. 600 Juta," *Antara News*, 31 December 2010, at <http://www.antaranews.com/berita/1293777667/tni-kembalikan-sisa-anggaran-rp600-juta>.

<sup>21</sup> Arientha Primanita, Ezra Sihite, and Faisal Baskoro, "Indonesia Pledges to Raise Defense Spending," *The Jakarta Globe*, 6 October 2011, at <http://www.thejakartaglobe.com/news/indonesia-pledges-to-raise-defense-spending/469853>.

budget at 1.5 percent of the country's GDP by 2015.<sup>22</sup>

The policy to focus on strengthening the base of domestic defence industry also continues, which requires Indonesia to fulfil its defence needs through domestic procurements from state-owned domestic aviation and defence industry. In October, for example, President Yudhoyono reiterated that Indonesia should rely more on weapons and equipment produced locally. He stressed that “whenever there is a primary defence system that can be produced by our weapons industry, then it is compulsory [for military and police] to buy domestically.”<sup>23</sup> It is expected that this policy would help revitalising state aircraft maker PT Dirgantara Indonesia, shipyard PT PAL, and weapons producer PT Pindad.<sup>24</sup> The government is also planning to propose a new bill on the development and utilisation of strategic defence companies to help revitalise the domestic defence industry<sup>25</sup>, and inject new capital to the three companies.

### The Government's Planned Capital Injection to Strategic Defence Companies

Companies	2011	2012
PT DI	Rp. 1.45 trillion in loan conversions	Rp. 2.06 trillion in cash
	Rp. 2.38 trillion in loan conversions	
PT PAL	Rp. 648 billion in cash	Rp. 1.59 trillion in cash
	Rp. 620 billion in loan conversions	
PT Pindad	Rp. 277 billion in loan conversions	Rp. 696 billion in cash

Source: *The Jakarta Post*, 5 October 2011.

At the same time, President Yudhoyono also maintained that his government would continue to approach foreign companies to jointly develop defence products, which would also bring benefits for Indonesia from transfer of technology.<sup>26</sup> For example, Indonesia has entered into an agreement with South Korea to jointly build 250 units

<sup>22</sup> Dicky Christianto, “Military to Boost Spending on Weapons,” *The Jakarta Post*, 6 May 2010, at <http://www.thejakartapost.com>.

<sup>23</sup> Arientha Primanita, “Indonesia Needs to Bolster Its Home Grown Defense System: SBY,” *The Jakarta Globe*, 27 October 2011, at <http://www.thejakartaglobe.com/home/indonesia-needs-to-bolster-its-home-defense-systems-sby/474310>.

<sup>24</sup> “Should the Military Really Prioritize Homemade Arms,” *The Jakarta Post*, 5 October 2011.

<sup>25</sup> “Bill Proposed to Lift Local Defense Industry,” *The Jakarta Post*, 5 October 2011.

<sup>26</sup> Arientha Primanita, “Indonesia Needs to Bolster Its Home Grown Defense System: SBY,” *The Jakarta Globe*, 27 October 2011, at <http://www.thejakartaglobe.com/home/indonesia-needs-to-bolster-its-home-defense-systems-sby/474310>.

of the new KFX fighter jet, of which 50 units would be hopefully ready to enter Indonesia's air service by 2020. The Indonesian government has allocated US\$ 325 million to purchase nine CN-295 airplanes jointly developed by PT Dirgantara Indonesia (DI) and Madrid-based Airbus Military Industry.<sup>27</sup> Indonesia is planning to work with China on joint production of missiles through PT Pindad<sup>28</sup>, and is exploring the possibility of joint-production of tanks with Russia, also through PT Pindad.<sup>29</sup>

In terms of capability development, even though the Army is still considered as the "backbone" of Indonesia's defence, it has begun to give greater priority in procurement policy to fulfil the needs of the Navy and the Air Force.<sup>30</sup> This policy also was continued in 2011, and will continue into the next decade. Indonesia has come to the realisation that the more complex security challenges facing the country clearly require a balanced development of its armed forces. As such, Indonesia's defence needs, especially to safeguard its maritime interests, would require serious modernisation programmes. Deputy Navy Chief Rear Admiral Marsetio, for example, estimated that in order to meet Indonesia's defence needs properly, the Navy would need at least 39 submarines.<sup>31</sup> The Indonesian Air Force is also in a dire situation, with many aging aircraft and equipment still in operation. It even sets an ambitious plan to have at least 10 squadrons of fighters by 2025.<sup>32</sup> However, many believe that Indonesia's plan to develop and expand naval and air capabilities to defend the country's maritime interests remains an incremental and long-term process.<sup>33</sup>

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<sup>27</sup> Trefor Moss, "Asia's Next Fighter Project," *The Diplomat*, 14 July 2011, at <http://the-diplomat.com/flashpoints-blog/2011/07/14/asia-s-next-fighter-project/>.

<sup>28</sup> "Indonesia, China to Strengthen Defense Cooperation," *The Jakarta Post*, 14 January 2011, at <http://www.thejakartapost.com/news/2011/03/23/indonesia-china-strengthen-defense-cooperation.html>.

<sup>29</sup> "Indonesia Boosting International Defense Cooperation," *Antara News*, 21 September 2011, at <http://www.antaranews.com/en/news/75872/indonesia-boosting-international-defense-cooperation>.

<sup>30</sup> Alexandra R Wulan, *Satu Dekade Reformasi Militer Indonesia* [A Decade of Military Reform in Indonesia] (Jakarta: Pacivis and FES, 2009), p. 116.

<sup>31</sup> "TNI AL Butuh 39 Kapal Selam Tambahan," (TNI Needs 39 Submarines), *Antara News*, 22 December 2010, at <http://portal.antaranews.com/news/238915/tni-al-butuh-39-kapal-selam-tambahan>.

<sup>32</sup> "Angkatan Udara Targetkan 10 Skuadron Tempur," *Koran Tempo*, 8 April 2011.

<sup>33</sup> IISS, *The Military Balance 2009* (London: Routledge, 2010), p. 384.

However, gradual improvement has indeed begun. In order to boost its air capability, in May 2011 Indonesia purchased 15 T-50 Golden Eagle supersonic training aircraft from South Korea's KAI in a US\$ 400 million deal. The jets are meant to replace the British Hawk trainers and expected to arrive in Indonesia in 2013.<sup>34</sup> In October 2011, Indonesia's Parliament finally approved the government's plan to accept the US' "grant" of 24 used F-16 fighter jets, but would require the government to spend around US\$ 400 to US\$ 600 million for refurbishing the jets. Indonesia expected that the delivery will begin in 2014. In December, the Indonesian Ministry of Defence confirmed that Indonesia has ordered six Russian-made Sukhoi Su-30MK2 jet fighters for the Air Force, bringing the total numbers of Sukhoi in Indonesia's air force to 16 or to a full squadron<sup>35</sup>, to be placed at Hasanuddin Airbase in Makassar, South Sulawesi. To address its concerns over border problems, the air force planned to deploy 4 unmanned aerial vehicles (UAV) to monitor porous borders in Kalimantan by the end of 2011.<sup>36</sup> By 2024, the Indonesian Air Force will also install 32 radars purchased from the United Kingdom and France.<sup>37</sup>

The Indonesian Navy has been facing serious problems and shortage in terms of weaponry and supporting equipment. Most weapons and equipment have been in service since the 1950s and 1960s. Since the modernisation programmes began in 2010, however, Indonesia has gradually developed its naval capability, albeit at a much slower pace compared to some of its neighbours. For the next 12 years, for example, the Navy plans to procure 24 fast ships equipped with Chinese C-705 anti-ship missiles to patrol shallow waters, especially in the western part of the country.<sup>38</sup> At the present, Indonesia only has two such fast ships, KRI Clurit-641 and KRI Kujang-642. After several delays in the past years, Indonesia's plan to add three submarines into its fleet finally became a reality by the end of 2011. In December, Indonesia decided to sign a contract to procure three submarines from South Korea;

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<sup>34</sup> "KAI T-50, the Golden Eagle," *Angkasa*, No. 11, August 2011, p. 55.

<sup>35</sup> "Ministry Orders Six Sukhoi Jet Fighters," *The Jakarta Post*, 31 December 2011, <http://www.thejakartapost.com/news/2011/12/31/ministry-orders-six-sukhoi-jet-fighters.html>.

<sup>36</sup> "Empat Pesawat Intai Nirawak TNI-AU Perkuat Supadio," *Antara News*, 19 August 2011, at <http://www.antaranews.com/berita/2725506/empat-pesawat-intai-nirawak-tni-au-perkuat-supadio>.

<sup>37</sup> "RI Air Force Will Install 32 Radars," *Antara News*, 25 November 2011, at <http://www.antaranews.com/en/news/77918/ri-air-force-will-install-32-radars>.

<sup>38</sup> Fadli, "Navy to Procure 24 Fast Boats to Patrol Shallow Waters," *The Jakarta Post*, 5 January 2012, at <http://www.thejakartapost.com/news/2012/01/05/navy-procure-24-fast-boats-patrol-shallow-waters0.html>.

a decision that will bring the total number of Indonesia's submarines to five. Under the contract, two submarines will be built in South Korea in cooperation with PT PAL, while the third will be built at PT PAL's facilities in Surabaya, East Java. The three submarines, which will cost Indonesia around US\$ 1.07 billion, will be delivered to the Navy in 2015 and 2016.<sup>39</sup> However, it has been pointed out even with the additional three submarines in the Navy, it still needs five more as the 2024 Defence Strategic Plan set the target for the Navy to operate 10 submarines as the minimum essential force.<sup>40</sup>

The Army has also undergone some improvements during 2011. In October, the Indonesian Army began to operate six Russian-made Mi-17 to improve its ability to respond to non-traditional security problems, especially natural disasters.<sup>41</sup> In December, the Army Chief of Staff General Pramono Edhie Wibowo announced that the Army would purchase 100 German-made Leopard 2A6 tanks to boost its capability. This will improve the Army's capability, which currently relies on its large fleet of aging French-built AMX-13 light tanks. The Army also plans to purchase eight Apache helicopters, multi-barrel rocket launchers, Type 1412 helicopters and French-made 155-mm calibre cannons.<sup>42</sup>

The recent increase in Indonesia's defence procurements, however, still constitutes the first step in a long process of Indonesia's plan to boost its defence capability. In fact, recent acquisitions have not even adequately met the minimum defence requirements. Indonesia's ambition to boost its defence capability is still constrained by the classic problem of limited defence budget, despite the significant increases over the last few years. Indeed, one major problem in Indonesia's defence planning has been the gap between defence needs on the one hand and the availability of funds for defence due to the limited financial capacity of the state on the other.

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<sup>39</sup> Novan Iman Santosa, "RI Orders 3 Submarines Worth \$1b in Regional 'Catch-up'," *The Jakarta Post*, 22 December 2011, at <http://www.thejakartapost.com/news/2011/12/22/ri-orders-3-submarines-worth-1b-regional-catch.html>.

<sup>40</sup> Ibid.

<sup>41</sup> "Enam Mil Mi-17 Perkuat TNI-AD," *Antara News*, 26 August 2011, at <http://www.antaranews.com/berita/273417/enam-mil-mi-17-perkuat-tni-ad>.

<sup>42</sup> Arya Dipa, "TNI Looking to Modernize Weapons System," *The Jakarta Post*, 16 December 2011.

## External Cooperation and Initiatives

Indonesia realises that no country would be able to address its security challenges by working alone. Those challenges can only be adequately addressed through a multi-faceted approach. In this regard, international cooperation—at bilateral, regional and global levels—would contribute significantly to its defence needs and to its efforts in addressing various security challenges. Regional cooperation even becomes more relevant and important to address security challenges stemming from strategic uncertainties brought about by geo-political changes in the region. In this regard, Indonesia has registered a strong preference for a cooperative security approach rather than a collective defence system or defence alliance.

In 2011, Indonesia continues to expand its bilateral defence and security cooperation with ASEAN countries, notably with Malaysia, Singapore and Vietnam. With Malaysia, discussion and negotiations to address bilateral border problems has intensified. In September, the air forces of Indonesia and Malaysia conducted the bi-annual joint training exercise of Elang Malindo XXIV/2011 in West Kalimantan. Indonesia and Malaysia are also studying the possibility of cooperating in the defence industry, including joint production.<sup>43</sup> The agreement between Indonesia and Vietnam in October 2010 to strengthen defence and security cooperation, which includes exchanges of visits between defence establishments, joint exercises, and marine patrols<sup>44</sup>, provides an important foundation for closer cooperation between the two countries. Outside ASEAN, defence and security cooperation with Australia and South Korea have also improved significantly. Indonesia has also expanded its security and defence cooperation with the major powers, especially the US, China and Japan.

Throughout 2011, Indonesia's role as the chair of ASEAN demonstrated its commitment to regional cooperation. ASEAN's credential received a major recognition when the UN Security Council agreed that the dispute between Thailand and Cambodia be managed by ASEAN itself. Indonesia played an active role in

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<sup>43</sup> "RI, M'sia Studying Defense Industry Cooperation," *Antara News*, 16 February 2010, at <http://www.antara.co.id>.

<sup>44</sup> "RI, Vietnam Agree to Strengthen Defense Ties," *Antara News*, 27 October 2010, at <http://www.antara.co.id>.

reducing tension between the two ASEAN member states, setting a good precedent for ASEAN's ability in managing dispute settlement. Together with other members, Indonesia sought to ensure that ASEAN's role in sustaining the ASEAN-driven multilateral frameworks and processes remained relevant for the region. Indeed, ASEAN's role received a significant boost with the participation of the United States (US) and Russia for the first time in the East Asia Summit (EAS) in November 2011 in Bali, Indonesia. Through the EAS process— together with other processes such as the ASEAN Plus Three (APT), the ASEAN Regional Forum (ARF), and the ASEAN Defence Ministerial Meeting Plus (ADMM-Plus)— Indonesia supported ASEAN's initiative to provide an institutional framework for all major and smaller powers to engage in cooperative undertakings. More specifically, the EAS is expected to function as a mechanism that would facilitate a cooperative relationship among the major powers.

All these achievements provide ASEAN with a significant momentum to move forward. In this regard, as the past chair, it is natural if Indonesia expects the next chair— Cambodia— to sustain that momentum. What Indonesia brought to the table during its chairmanship is not the Indonesian agenda, but ASEAN's. Building on what ASEAN has accomplished over the last twelve months would give ASEAN a better chance in consolidating itself as an indispensable force in the changing East Asia. In other words, ASEAN needs to focus on bringing the current success into the next stage.

